

## **EXHIBIT 1**

### **INTRODUCTION**

Respondent Recording Industry Association of America PAC (the “Committee”) is a state general purpose recipient campaign committee, sponsored by the Recording Industry Association of America, Inc. (the “Sponsor”). The Sponsor is a record company trade association based in Washington D.C. At all times relevant to this matter, Respondent Jennifer Bendall was the treasurer of the Respondent Committee.

The Political Reform Act (the “Act”)<sup>1</sup> requires every committee and its treasurer to maintain specified records regarding the committee’s activities, and to file periodic campaign statements disclosing these activities. In this matter, Respondents failed to maintain required records regarding their activities, and failed to file a pre-election campaign statement as required by the Act.

For the purposes of this Stipulation, Respondents’ violations are stated as follows:

COUNT 1: On or about and between January 1, 1997 and December 31, 1998, Respondents Recording Industry Association of America PAC and Jennifer Bendall failed to maintain the detailed records and accounts that are necessary to properly prepare campaign statements, in violation of Section 84104 of the Government Code.

COUNT 2: Respondents Recording Industry Association of America PAC and Jennifer Bendall failed to file a pre-election campaign statement, by October 22, 1998, for the reporting period October 1, 1998 to October 17, 1998, in violation of Section 84200.5 of the Government Code.

### **SUMMARY OF THE LAW**

An express purpose of the Act, as set forth in Section 81002, subdivision (a), is to ensure that the contributions and expenditures affecting election campaigns are fully and truthfully disclosed to the public, so that voters may be better informed, and improper practices may be inhibited. To that end, the Act sets forth a comprehensive campaign reporting system designed to accomplish this purpose of disclosure.

---

<sup>1</sup> The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. Commission regulations appear at 2 California Code of Regulations, Section 18109, *et seq.* All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

### **Duty to Maintain Records**

To ensure accurate campaign reporting, Section 84104 imposes a mandatory duty on each candidate, treasurer and elected officer to maintain detailed accounts, records, bills, and receipts that are necessary to prepare campaign statements, and to comply with the campaign reporting provisions of the Act. Under Regulation 18401, subdivisions (a)(1) through (a)(3), this duty includes maintaining original source documentation for all contributions.

### **Duty to File Pre-Election Campaign Statements**

Section 84200.5, subdivision (d) requires that in even-numbered years a state general purpose committee shall file pre-election campaign statements, as specified in Section 84200.7, if it makes contributions or independent expenditures totaling five hundred dollars (\$500) or more during the period covered by the pre-election statement. Section 84200.7, subdivision (b), sets forth the pre-election filing schedule for November elections held in even-numbered years. Under that statute, a first pre-election campaign statement must be filed by October 5, for the reporting period ending September 30, and a second pre-election campaign statement must be filed no later than 12 days before the election, for the reporting period ending 17 days before the election.

### **Duties of a Treasurer**

Under Section 81004, subdivision (b), Section 84100, and Regulation 18427, subdivision (c), it is the duty of a committee's treasurer to ensure that the committee complies with all of the requirements of the Act concerning the receipt and expenditure of funds, and the reporting of such funds. A committee's treasurer may be held jointly and severally liable, along with the committee, for any reporting violations committed by the committee. (Sections 83116.5 and 91006.)

## **SUMMARY OF THE FACTS**

Respondent Recording Industry Association of America PAC, located in Washington D.C., was formed in 1994 as a California state general purpose recipient committee. The Recording Industry Association of America, Inc., also located in Washington D.C., is the sponsor of Respondent Committee. The Sponsor, through its various political action committees, is politically active at the national and state level, and routinely makes campaign contributions to California candidates through Respondent Committee.

Respondent Committee began making contributions to California candidates in 1994, and was first audited by the Franchise Tax Board (the "FTB") for the 1993 - 1994 reporting period. According to that audit report, Respondents failed to maintain adequate records to support the allocation of contributions between its contributors, and failed to file three pre-election campaign statements. In response to these audit findings, the Enforcement Division sent a warning letter (FPPC No. 97/499) to Respondents on November 14, 1997, advising them of the reporting violations discovered through the 1993-1994 FTB audit. The warning letter advised Respondents of their duty

to maintain detailed information regarding contributors and intermediaries, including original source documentation for the contributions that they received.

Respondent Committee was subsequently included in the FTB's mandatory audit program for the 1997-1998 reporting period. During this period, Respondents received contributions totaling \$124,375 and made expenditures totaling \$126,375. The audit report opined that Respondents had not substantially complied with the disclosure and record-keeping provisions of the Act.

### COUNT 1

#### **Failure to Maintain Adequate Campaign Records**

The FTB audit found that Respondents did not maintain adequate records to substantiate the identity of their contributors, or the amounts attributed to each contributor, as disclosed on the campaign statements that they filed. Respondents provided letters showing the total amounts allocated to seven different contributors for the 1997 – 1998 period. However, the auditor did not find these records sufficient to support the amounts reported on the campaign statements for calendar years 1997 and 1998. The letters did not contain the names of the contributors, as reported on the campaign statements, and the letters were dated January 15, 2000, after the audit period was over.

Respondents violated Section 84104 by failing to maintain adequate records to support the receipt and allocation of contributions to Respondent Committee during the 1997-1998 audit period.

### COUNT 2

#### **Failure to File a Second Pre-election Campaign Statement**

Respondents were required to file a second pre-election campaign statement by October 22, 1998, for the reporting period October 1 through October 17, 1998. Respondents failed to file the statement by that due date, in violation of Section 84200.5, subdivision (d).

During this reporting period, Respondents received contributions totaling \$24,725, and made expenditures totaling \$10,975. The expenditures were all contributions to Assembly and Senate candidates in amounts varying between \$500 and \$5,500. Respondents also made a \$125 contribution to the Senate Republican Leadership Fund during this reporting period. Respondents reported their activity for this period on a semi-annual campaign statement filed for the period October 1, 1998 to December 31, 1998. However, Respondents filed the semi-annual campaign statement well after the November 1998 general election, on February 1, 1999.

By failing to file a second pre-election campaign statement for the reporting period October 1 through October 17, 1998, by October 22, 1998, Respondents violated Section 84200.5, subdivision (d).

## **CONCLUSION**

This matter consists of two counts of violating Sections 84104 and 84200.5 of the Act, which carries a maximum administrative penalty of Four Thousand Dollars (\$4,000.00).

The facts of this case, including the aggravating factor of Respondents' prior warning letter for the same violations, justify imposition of the agreed upon penalty of Thirty-Eight Hundred Dollars (\$3,800.00).